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FISCAL IMPACT STATEMENT

LS 7006

BILL NUMBER: HB 1695

NOTE PREPARED: Jan 10, 2009

BILL AMENDED:

SUBJECT: Fulton County Innkeepers' Tax.

FIRST AUTHOR: Rep. Gutwein

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill permits Fulton County to impose an innkeepers' tax of up to 6%. The bill provides for the distribution of the county innkeepers' tax revenue.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Penalty Provision:* A person violating fund transfer provisions within the bill would commit a Class D felony which is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances.

Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

Explanation of State Revenues: *Penalty Provision:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. However, any additional revenues would likely be small.

Explanation of Local Expenditures: The County Treasurer would be required to establish a convention and visitors fund. The Treasurer would administer the fund.

Penalty Provision: If more defendants are detained in county jails prior to their court hearings, local

expenditures for jail operations may increase. However, any additional expenditures would likely be small.

Explanation of Local Revenues: *Summary-* Fulton County would be allowed to establish by ordinance an innkeeper's tax on lodging with the exception of campsites within a state or federal park/forest within the County. The innkeeper's tax could be imposed at any rate up to and including 6%. The impact of the bill on local revenues is indeterminable and would depend on the rate set by the Fulton County Council.

Background- Fulton County currently has adopted an innkeeper's tax under the uniform innkeeper's tax code (IC 6-9-18). The tax rate is currently 3%. Innkeeper's tax collections totaled \$38,681 during FY 2008.

Revenue Estimate- The following table presents revenue estimates based on prior year collections. The estimates were generated by using the state Sales Tax growth rates from the December 11, 2008, state revenue forecast.

	CY	Tax Rate = 3%	Tax Rate = 4%	Tax Rate = 5%	Tax Rate = 6%
Estimated Collections	2009	\$38,343	\$51,124	\$63,905	\$76,686
	2010	\$39,768	\$53,024	\$66,279	\$79,535
	2011	\$41,796	\$55,728	\$69,660	\$83,592
Less: Agent Collection Allowance 0.83%	2009	\$318	\$424	\$530	\$636
	2010	\$330	\$440	\$550	\$660
	2011	\$347	\$463	\$578	\$694
Less: Treasurer's Allowance 0.17%	2009	\$65	\$87	\$109	\$130
	2010	\$68	\$90	\$113	\$135
	2011	\$71	\$95	\$118	\$142
Collections Less Allowances	2009	\$37,960	\$50,613	\$63,266	\$75,920
	2010	\$39,370	\$52,494	\$65,616	\$78,740
	2011	\$41,378	\$55,170	\$68,964	\$82,756

Note: Collections & allowances are rounded.

Collection agents and the County Treasurer would have an allowance at 0.83% and 0.17% respectfully of the total tax revenue for the collection and processing the revenue. Any allowance not used by the Treasurer would revert to the county general fund at the end of a state fiscal year.

Revenue from the tax would be used for the following purposes. Fifty percent of the revenue would go to the County Parks and Recreation Department, and 50% to the County Council for benefit of the citizens and their public institutions.

Penalty Provision: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

State Agencies Affected: Department of Correction.

Local Agencies Affected: Fulton County; trial courts, local law enforcement agencies.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations; December 11, 2008 State Revenue Forecast.*

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